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Philippines

Tobacco and Products

Excise Tax Guidelines for New Alcohol and Tobacco

Products Released

2003

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Report Highlights:

The Bureau of Internal Revenue issued Revenue Regulation No. 9-2003 establishing new guidelines in determining the current net retail price of new brands and variants of new brands of alcohol and tobacco products. The new regulation is part of ongoing efforts of the Philippine government to improve tax collection and increase revenues.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Manila [RP1], RP

The Bureau of Internal Revenue (BIR) has issued Revenue Regulation No. 9-2003 (RR 9-2003) which prescribes guidelines for the establishment of the current net retail price of new brands and variants of new brands of alcohol and tobacco products. RR 9-2003 amends certain provision of Revenue Regulation No. 1-97 pertaining to excise taxation of cigars and cigarettes and Revenue Regulation No. 2-97 dealing with excise taxation of distilled spirits, wines and fermented liquors. The new regulation is part of the Philippine government's move to improve tax collection and overhaul its system of revenue generation. The shortfall in revenue generation has been under increased scrutiny lately due to the growing budget deficit problem.

The regulation states that the current net retail price will be the basis for the new brands' excise tax classification. Under the National Internal Revenue Code of 1997, the brands of tobacco and alcohol products existing at that time are enumerated with their corresponding net retail price and is the basis for computing their excise taxes.

All other brands of alcohol and tobacco products which came out after the establishment of the 1997 Revenue Code are considered new brands or new brand variants. These new brands were previously classified based on price representations made by manufacturers. The BIR says that the new revenue regulation seeks to correct the excise tax collection and mandates the conduct of a market survey for new brands and variants for alcohol and tobacco.

Under the new regulation, the current net retail price of new brands of tobacco and alcohol products are to be established through a survey involving twenty (20) major supermarkets or retail outlets for brands marketed nationally or five (5) major supermarkets or retail outlets for brands marketed only outside Metro Manila, provided the product is sold at retail three months after they are withdrawn from the factories.

Alternatively, the current net retail price of new brands can also be established through the submission of duly authenticated price lists by store owners or informers. Other accepted methods in determining current net retail price of new brands include the direct purchase of the items with corresponding valid receipt or through a photograph of the item with corresponding price tag.

The list of the products containing the retail prices and tax classifications of the new brands shall be submitted to the BIR Commissioner and the Secretary of Finance for approval. The current net retail price of new brands and variants thereof shall be reviewed periodically through the conduct of a survey or any other appropriate activity, every two years unless earlier ordered.

Complete text of the regulation follows:

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

February 17, 2003

REVENUE REGULATIONS NO. 9-2003

SUBJECT : Amending Certain Provisions of Revenue Regulations No. 1-97 and Revenue Regulations No. 2-97 Relative to the Excise Taxation of Alcohol Products, Cigars and Cigarettes For the Purpose of Prescribing the Rules and Procedures To Be Observed in the Establishment of the Current Net Retail Price of New Brands and Variants of New Brands of Alcohol and Tobacco products.

TO : All Internal Revenue Officers and Others Concerned.

SECTION 1. SCOPE. - Pursuant to Sections 244 and 245 of the National Internal Revenue Code of 1997 (Code) in relation to Sections 141 to 145 of the same Code, these Regulations are hereby promulgated to amend certain provisions of Revenue Regulations No. 1-97 pertaining to the excise taxation of cigars and cigarettes and Revenue Regulations No. 2-97 dealing with the excise taxation of distilled spirits, wines and fermented liquors for the purpose of prescribing the rules and procedures to be observed in the establishment of the current net retail price of new brands and variants of new brands of cigars and cigarettes, distilled spirits, wines, and fermented liquors.

SEC. 2. CLASSIFICATION AND MANNER OF TAXATION OF EXISTING BRANDS, NEW BRANDS, VARIANTS OF EXISTING BRANDS AND VARIANTS OF NEW BRANDS OF CIGARS AND CIGARETTES. – Section 4 of Revenue Regulations No. 1-97 is hereby amended to read as follows:

“SECTION 4. *Classification and Manner of Taxation of Existing Brands, New Brands, Variants of Existing Brands and Variants of New Brands.*

“A. Existing Brand

“ xxx xxx xxx

“B. New Brand

“New brands shall be classified according to their current net retail price. In the meantime that the current net retail price has not yet been established, the **taxpayer’s** suggested net retail price shall be used to determine the specific tax classification. Thereafter, a survey **or any other alternative activity, as discussed hereunder**, shall be conducted in 20 major supermarkets or retail outlets in Metro Manila (for brands marketed nationally) or in five (5) major supermarkets or retail outlets in the region (for brands which are marketed only outside Metro Manila) at which the **product** is sold on retail, three (3) months after the initial removal of the new brand to determine the actual net retail price, excluding the excise tax and value added tax, which shall then be the basis in determining the specific tax classification.

“The current net retail price of new brands can be established by any or combination of the following :

- (a) Through a survey to be conducted by the revenue officers of the Large Taxpayers Service and/or Regional Offices or any equivalent office of the Bureau of Internal Revenue having jurisdiction over excise taxpayers;**
- (b) Through the submission of a price list duly authenticated by the store owner or operator of the supermarkets/retail outlets carrying such items/products;**
- (c) Through an information submitted by an informer which has been duly authenticated and validated by the store owner/operator of the supermarket/retail outlet that issued the source-document;**
- (d) Through the direct purchase of such items from the supermarket/retail outlet for which a valid receipt/invoice is issued detailing the product description and the retail price thereof;**
- (e) Through photographs showing the item on the shelf of the supermarket /retail outlet and the corresponding price by which it is sold. The camera to be used for this purpose should have built-in day-date features to indicate the exact date and time when such pictures were taken.**

“In case the current net retail price **as approved** is higher than the suggested net retail price, the former shall prevail. Otherwise, the suggested net retail price shall prevail. Any **deficiency** in specific tax due shall be assessed and collected, inclusive of increments, as provided for by the **Code** .

“The survey contemplated herein to establish the current net retail price on locally manufactured or imported cigarettes shall be **initiated and undertaken in the following manner:**

- a) The Office in charge of the registration of new brands shall submit, within five (5) days immediately after the lapse of the third month following the introduction of the new brand and/or variant(s) thereof in the market, to the Commissioner of Internal Revenue (Commissioner) a list of brands the current net retail prices of which have to be determined.**
- b) The Commissioner shall issue Mission Orders directing the conduct of the specified activities leading to the determination of the current net retail price of exciseable products by the authorized representatives of the Office in charge of the**

registration of new brands and variant(s) thereof and by the Regional Offices having jurisdiction over the places where major supermarkets or retail outlets are physically located.

- c) The results of the survey/other alternative activity conducted shall be submitted to the Assistant Commissioner, Large Taxpayers Service or any equivalent office that has jurisdiction over excise taxpayers for consolidation thereof. A list of the products containing the retail prices and the tax classification thereof shall be submitted for approval by the Commissioner and the Secretary of Finance. Upon approval thereof, a notification of the result of the survey and the official current net retail price of the surveyed product shall be sent to the concerned taxpayer.

“For the purpose of establishing or updating the tax classification of new brands and variant(s) thereof, their current net retail price shall be reviewed periodically through the conduct of survey or any other appropriate activity, as mentioned above, every two (2) years unless earlier ordered by the Commissioner. However, notwithstanding any increase in the current net retail price, the tax classification of such new brands shall remain in force until the same is altered or changed through the issuance of an appropriate Revenue Regulations .

“C. Variants of Existing Brand

“ xxx xxx xxx.

“D. Variant of New Brand

“Any variant of a new brand shall be classified according to its current net retail price determined in the same manner as that for a new brand, provided that the tax classification shall not be lower than that of the highest tax classification of such new brand and any existing variant thereof.”

SEC. 3. CLASSIFICATION AND MANNER OF TAXATION OF EXISTING BRANDS, NEW BRANDS, VARIANTS OF EXISTING BRANDS AND VARIANTS OF NEW BRANDS OF DISTILLED SPIRITS, WINES AND FERMENTED LIQUORS. – Section 4 of Revenue Regulations No. 2-97 is hereby amended to read as follows:

“SECTION 4. Classification and Manner of Taxation of Existing Brands, New Brands, Variants of Existing Brands and Variants of New Brands.

“A. Existing Brand

“ xxx xxx xxx

“B. New Brand

“New brands shall be classified according to their current net retail

price. In the meantime that the current net retail price has not yet been established, the **taxpayer's** suggested net retail price shall be used to determine the specific tax classification. Thereafter, a survey **or any other alternative activity, as discussed hereunder,** shall be conducted in 20 major supermarkets or retail outlets in Metro Manila (for brands marketed nationally) or in five (5) major supermarkets or retail outlets in the region (for brands which are marketed only outside Metro Manila) at which the **product** is sold on retail, three (3) months after the initial removal of the new brand to determine the actual net retail price, excluding the excise tax and value added tax, which shall then be the basis in determining the specific tax classification.

“The current net retail price of new brands can be established by any or combination of the following :

- (a) **Through a survey to be conducted by the revenue officers of the Large Taxpayers Service and/or Regional Offices or any equivalent office of the Bureau of Internal Revenue having jurisdiction over excise taxpayers;**
- (b) **Through the submission of a price list duly authenticated by the store owner or operator of the supermarkets/retail outlets carrying such items/products;**
- (c) **Through an information submitted by an informer which has been duly authenticated and validated by the store owner/operator of the supermarket/retail outlet that issued the source-document;**
- (d) **Through the direct purchase of such items from the supermarket/retail outlet for which a valid receipt/invoice is issued detailing the product description and the retail price thereof;**
- (e) **Through photographs showing the item on the shelf of the supermarket /retail outlet and the corresponding price by which it is sold. The camera to be used for this purpose should have built-in day-date features to indicate the exact date and time when such pictures were taken.**

“In case the current net retail price **as approved** is higher than the suggested net retail price, the former shall prevail. Otherwise, the suggested net retail price shall prevail. Any **deficiency** in specific tax due shall be assessed and collected, inclusive of increments, as provided for by the **Code**.

“The survey contemplated herein to establish the current net retail

price on locally manufactured or imported cigarettes shall be **initiated and undertaken in the following manner:**

- a) **The Office in charge of the registration of new brands shall submit, within five (5) days immediately after the lapse of the third month following the introduction of the new brand and/or variant(s) thereof in the market, to the Commissioner of Internal Revenue (Commissioner) a list of brands the current net retail prices of which have to be determined.**
- b) **The Commissioner shall issue Mission Orders directing the conduct of the specified activities leading to the determination of the current net retail price of exciseable products by the authorized representatives of the Office in charge of the registration of new brands and variant(s) thereof and by the Regional Offices having jurisdiction over the places where major supermarkets or retail outlets are physically located.**
- c) **The results of the survey/ other alternative activity conducted shall be submitted to the Assistant Commissioner, Large Taxpayers Service or any equivalent office that has jurisdiction over excise taxpayers for consolidation thereof. A list of the products containing the retail prices and the tax classification thereof shall be submitted for approval by the Commissioner and the Secretary of Finance. Upon approval thereof, a notification of the result of the survey and the official current net retail price of the surveyed product shall be sent to the concerned taxpayer.**

“For the purpose of establishing or updating the tax classification of new brands and variant(s) thereof, their current net retail price shall be reviewed periodically through the conduct of survey or any other appropriate activity, as mentioned above, every two (2) years unless earlier ordered by the Commissioner. However, notwithstanding any increase in the current net retail price, the tax classification of such new brands shall remain in force until the same is altered or changed through the issuance of an appropriate Revenue Regulations .

“C. Variants of Existing Brand

“ xxx xxx xxx.

“D. Variant of New Brand

“Any variant of a new brand shall be classified according to its current net retail price determined in the same manner as that for a new brand, provided that the tax classification shall not be lower than that of the highest tax classification of such new brand and any existing variant thereof.”

SEC. 4. TRANSITORY CLAUSE. – For all brands duly registered and introduced in the market beginning January 1, 1997 the current net retail price of which was not determined for the last two (2) years from the effectivity hereof, a determination or re-determination of the current net retail prices thereof shall be conducted immediately upon the effectivity of these Regulations.

SEC. 5. REPEALING CLAUSE. - All regulations, rulings, orders or portions thereof which are inconsistent with the provisions of these Regulations are hereby revoked and/or modified accordingly.

SEC. 6. EFFECTIVITY CLAUSE. – These Regulations shall take effect after fifteen (15) days following publication in a newspaper of general circulation.

(Original Signed)
JOSE ISIDRO N. CAMACHO
Secretary of Finance

Recommending Approval:
(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue